

## Message Text

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ACTION EB-07

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FM AMEMBASSY TEHRAN

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INFO USDOC WASHDC

AMEMBASSY JIDDA

AMEMBASSY ABU DHABI

AMEMBASSY KUWAIT

AMEMBASSY ATHENS

UNCLAS TEHRAN 12132

ATHENS FOR RTDO

E.O. 11652: N/A

TAGS: EFIN IR

SUBJ: U.S. TAX REFORM ACT OF 1976

REF TEHRAN 11395

1. TWO COMMITTEES OF THE IRAN-AMERICA CHAMBER OF COMMERCE, TAXATION AND LIVING CONDITIONS, JOINTLY SPONSORED A PUBLIC MEETING ON "THE EFFECTS OF THE U.S. TAX REFORM ACT OF 1976" ON DECEMBER 1. APPROXIMATELY 400 PEOPLE (OVERFLOW CROWD) WERE PRESENT IN THE AUDITORIUM OF THE IRAN-AMERICA SOCIETY.

2. PANEL MEMBERS PARTICIPATING WERE AFFILIATED WITH BRANCH OFFICES OF MAJOR ACCOUNTING FIRMS (ARTHUR ANDERSON, ARTHUR YOUNG, DE LOITTE, HASKINS AND SELLS) AND OFFICERS OF TWO FIRMS (GTE AND LOCKHEED).

3. MEMBERS OF THE PANEL MADE PRESENTATIONS, WITH ACCOMPANYING SLIDES, UNDER SIX CATEGORIES: U.S. CITIZENS ABROAD; ADJUSTMENTS, DEDUCTIONS AND CREDITS; TAX SHELTERS; CAPITAL GAINS AND LOSSES; ESTATE AND GIFT TAX REFORM; TAX PROTECTION OR EQUALIZATION PLANS.

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4. FOLLOWING THESE FACTUAL PRESENTATIONS OF APPROXIMATELY ONE AND ONE-HALF HOURS, PANEL MEMBERS ASSESSED THE "EFFECT ON INDUSTRY." STATING THAT OTHER FACTORS ALREADY MADE U.S. TECHNOLOGY NON-COMPETITIVE, HE DESCRIBED TAX REFORMS AS "MOST ADVERSE" AND APPROACHING "CATASTROPHIC." NOTING THAT THE ONLY WAY TO SELL PRODUCTS SUCCESSFULLY IS TO MAINTAIN A PRESENCE, HE SAID IT WAS TIME U.S. REALIZED THAT THE CUSTOMER WILL NO LONGER CONTINUE TO PAY AN UNLIMITED PREMIUM, EVEN IN CASES WHERE U.S. TECHNOLOGY/KNOW-HOW IS DEEMED MORE DESIRABLE. HE CONCLUDED BY STATING THAT NEW TAX LAW WAS A STEP BACKWARDS WHICH WOULD BE DEVASTATING TO U.S. TRADE BALANCE.

5. THE SEMINAR THEN WAS OPENED TO QUESTIONS, MOST OF WHICH WERE OF A TECHNICAL NATURE.

6. COMMENT: THE BUSINESS COMMUNITY IN IRAN CONTINUES, BOTH AS CORPORATE ENTITIES AND INDIVIDUALS, TO BE HIGHLY EXERCISED BY PROVISIONS OF NEW TAX LAW. THE CLOSING REMARKS ON IMPACT ON INDUSTRY, WHICH WERE COGENT AND ARTICULATE, WERE WIDELY AND WARMLY APPLAUDED BY THE AUDIENCE. MOST MAJOR COMPANIES WITH SIGNIFICANT PRESENCE IN IRAN SHARE VIEW THAT THIS ADDITIONAL BURDEN, COUPLED WITH COMPETITIVE PROBLEMS IN ACCESS TO AND COST OF FINANCING, WILL CONSPIRE TO PRICE MANY U.S. COMPANIES OUT OF MARKET, PARTICULARLY IN A PERIOD WHEN IRANIAN GOVERNMENT IS MANIFESTING SIGNS OF INCREASINGLY ACUTE COST-CONSCIOUSNESS.

7. A NUMBER OF RESIDENT BUSINESSMEN WHO HAD EXPOSURE TO CODEL RIBICOFF ET AL TOOK THE OPPORTUNITY TO EXPRESS THEIR CONCERN OVER NEW TAX LAW AND EMBASSY IS RECEIVING NUMEROUS INQUIRIES ON COMPOSITION OF CONGRESS FROM RESIDENTS WHO INDICATE THEY INTEND TO WRITE IN PROTEST.  
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